APPENDIX F

GUIDELINES FOR DEVELOPING COMPETENCY-BASED SYSTEMS

INTRODUCTION

The Commonwealth's Compensation Management System focuses on the employee's contribution to the organization rather than relying solely on the assignment of job duties and responsibilities. Therefore, ***Competency Models*** compliment this philosophical premise by placing emphasis on behaviors, knowledge and skills that allow employees and the organization to be successful. Agencies wishing to consider establishing a ***Competency-based System*** are encouraged to use these guidelines; staff from DHRM should also be consulted.

For the past fifty years, the concept of "jobs" has been the focus of all human resource practices that affected recruitment, selection, performance planning, performance evaluation, pay systems, training and career development. Organizations have hired employees, evaluated performance, paid salaries, developed skills, and planned careers based on jobs.

In the 1990s, a new idea gained acceptance in a number of organizations that more closely aligned human resource practices with organizational strategies, missions and cultures. A number of organizations' switched from a traditional <u>job-based structure</u> to a <u>competency-based structure</u> that emphasized the development and attainment of behaviors, knowledge and skills compatible with and aligned to the organization's mission and business strategies.

The focus of ***competencies*** is centered on characteristics of the employee, including behaviors, skills and knowledge that can be demonstrated and positively affect the organization. ***Competencies*** emphasize the attributes and activities that are required for an organization to be successful. Therefore, human resource practices using ***Competency Models*** tap into the employee capabilities that are aligned to the organization mission and business need.

This appendix provides an introduction to ***Competency Models*** that when implemented in totality can impact all of the agency's human resource

practices including recruitment, selection, compensation decisions, performance planning, performance evaluation and career development. Additionally, this appendix is intended to provide agencies with broad guidelines for **Competency-based Systems.** Each agency using this approach must design its own system to meet its needs.

Like other alternative pay and job evaluation systems, a **Competency-based System** is fairly labor intensive and requires the agency's commitment to designate the necessary staff resources during the development stages. Agencies will also want to consider the financial and human resources required to administer such a system. Additionally, **Competency-based Systems** should not be perceived as a "one size fits all" approach. It would be highly unlikely, given the Commonwealth's workforce, that an agency would implement a **Competency-based System** agency-wide for the entire employee population. It is important that an agency identify the specific work unit(s) where competencies may be identified that directly and positively impact the success of employees and the agency.

What are Competencies?

Competencies are identified behaviors, knowledge, and skills that directly and positively impact the success of employees and the organization. Competencies can be objectively measured, enhanced and improved through coaching and learning opportunities. There are two types of competencies, **Behavioral** and **Technical**. Depending on the purpose of the **Competency Model**, one or a combination of these competency types may be used.

Behavioral Competencies are a set of behaviors, described in observable and measurable terms, that make employees particularly effective in their work when applied in appropriate situations. **Behavioral Competency Models** may be designed to describe common or "core" behaviors that are applicable to employees throughout an agency, or may be more narrowly defined to reflect behaviors unique to an **Occupational Family** or **Career Group**.

An example of a ***Behavioral Competency*** follows:

Customer Focus – responds to other's needs appropriately and with a sense of urgency.

- Follows up with customers
- Makes self available to customers
- Responds quickly to the needs of customers
- Refers customers to the appropriate experts or resources
- Suggest ways of improving systems or processes to meet customer needs.
- Presents self as a credible, flexible and value-added business partner to all customers.
- Identifies situations in which consistency of services is appropriate as well as when flexibility is warranted.

Technical Competencies are underlying knowledge and skills, described in observable and measurable terms that are necessary in order for employees to perform a particular type or level of work activity. ***Technical Competencies*** typically reflect a career-long experience in an agency. An example of a ***Technical Competency*** for an expert level professional follows:

Technical Expertise – demonstrates depth of knowledge in technical and specialized areas.

- Works to become an expert in a technical and specialized area.
- Makes self available to help others solve complex technical problems.
- Uses a wide range and depth of technical and specialized knowledge.
- Is sought out as an expert by others.

The following are the different ways in which these descriptive statements may be formatted:

- **Single Stage Format** – competencies are defined more extensively in behavioral terms that illustrate the exact competency when it is performed proficiently. This type of format is compatible with a progressive rating scale. The following is an example of a single stage ***Behavioral Competency***.

Teamwork
The collaboration and cooperation of a group of employees to combine their talents to get the job done; this includes the wisdom to know when to ask for information or assistance, a positive attitude toward team members and customers, a sense of common goals, taking action which demonstrates consideration for the feelings and needs of others, and being aware of the effects of one's behaviors on others.

- **Multi-Stage Format** – competencies are defined in great detail over several stages. For *Technical Competencies*, the stages may range from a beginning level; through a fully proficient performance level; to the highest level of expertise. For *Behavioral Competencies* the stages may describe an increase in the strength and impacts of behaviors. The following is an example of a multi-stage *Technical Competency*.

Compensation Expertise		
STAGE 1	**STAGE 2**	**STAGE 3**
Learns the basic principles, practices, and techniques of compensation and job evaluation	Fully & independently demonstrates knowledge of principles, practices and techniques of compensation and job evaluation	Leads & influences compensation and job evaluation strategies to meet the agency's needs
• Demonstrates basic understanding of how to write/update a position description	• Demonstrates & applies understanding of evaluating position descriptions for allocation purposes	• Mentors & serves as a role model in compensation consulting to other professions
• Demonstrates basic understanding of purpose & use of Career Group Descriptions in allocation of positions	• Evaluates job descriptions for compliance with FLSA	• Consults & facilitates with others internal & external to the organization to gain acceptance of compensation proposals
• Demonstrates basic knowledge of practices and policies that relate to compensation actions by responding to routine compensation questions	• Applies compensation & related practices and policies to situations; participates in the design & provision of communications in agency	• Consults with customers & others beyond assigned customers to resolve unusual, sensitive, & exceptional compensation situations & appeals
	• Recognizes and designs alternative strategies to meet the organization's needs	• Actively keeps informed & informs others of changes in laws, regulations, legislation, industry, governmental, budgetary and policy issues, trends and impacts on the agency compensation program
	• Demonstrates full understanding of exception issues & resolves policy questions	
	• Seeks to improve possession of compensation expertise in others	

What is a Competency Model?

A *Competency Model* is a listing of *Competencies* that apply to a particular type of work. *Competency Models* can include *Behavioral*

Competencies only, *Technical Competencies* only, or both. An example of a *Competency Model* for Human Resource Professional follows:

Human Resource Professional

Behavioral Competencies

- Agency Mission Focus
- Customer Focus
- Teamwork
- Consultation
- Achievement Orientation

Technical Competencies

- Compensation Expertise
- Recruitment/Selection Expertise
- Employee Relations Expertise
- Employee Benefits Expertise
- Training and Development Expertise

How are Competency Models used?

Competency models can serve as a way to integrate human resource practices under the Compensation Management System. Agencies that elect to use *Competency Models* need to consider exactly how they will be used to support the agency's mission and desired strategic outcomes, and determine the extent to which *Competency Models* will impact and affect the agency's human resource practices. The following is a list of human resource practices that should be taken into consideration when determining the purpose and intent of an agency's rationale for using *Competency Models*:

- **Training and Development** – connection to agency business need is a major focus of *Competency Models*. These models can serve as a tool to assess employees' current behaviors, knowledge and skills; identify learning areas for development and improvement and be used for career planning purposes.
- **Recruitment and Selection** – models can be developed to identify criteria for recruiting and assessing applicants for agency positions.
- **Performance Management** – models can be used to support the assessment of employee performance.

- **Compensation Decisions** – models can be developed to determine internal alignment and how pay will be administered based on defined competencies (e.g. starting pay, promotions, in-band adjustments, etc.).

What are the steps for developing Behavioral Competencies?

The following is a suggested approach, however agencies need to tailor the process to meet their business needs and objectives.

1. **Identify the group of employees to be covered:** The agency will need to determine if the *Behavioral Competencies* will apply to the entire agency, a specific *Occupational Family*, or a *Career Group*. The determination of the employee population to be covered should be based on similar work characteristics and shared common work behaviors.

2. **Gather data:** The agency will need to select a method or a combination of methods to collect behavioral information. Five approaches follow:

    - Behavioral Event Interviews (BEI) are individual interviews conducted with top performers throughout an agency or within an *Occupational Family* or *Career Group*. A sufficient number of interviews should be conducted with the selected population to gather ample data to identify common behavioral themes and trends. During a BEI, the interviewee is asked to relate information about what he/she said, thought, and did in response to different work-related situations and issues.

    - Focus Groups are small group sessions with top performers and key managers in which data concerning work challenges and the necessary behaviors to address them are identified by the group and captured by a facilitator.

    - Benchmark Data from Outside Sources includes *Behavioral Competencies* from other organizations/agencies to determine the applicability to the employee population under consideration.

    - Commercially Developed Behavioral Competency Development Kits and/or Dictionaries developed by a number of vendors include competency toolkits that identify a variety of technical and

Behavioral Competencies defined in observable and measurable terms. Many of these vendors have included exercises that can be used to develop a ***Competency Model*** from pre-determined menus of competencies.

- <u>Employee Surveys</u> conducted with current agency employees to gather information about successful behaviors used by high level performers. The surveys can include employees throughout the entire agency or focus on a particular ***Occupational Family*** or ***Career Group***.

Data should be gathered using the method(s) deemed appropriate for the agency.

3. **Analyze data:** This is the most critical step in identifying ***Behavioral Competencies***. The focus should be on identifying recurring concepts and themes from the data collected, such as specific behaviors or words; thought patterns; ways of approaching situations; and underlying concerns/issues that contribute to the successful outcome or demonstration of a high level of performance. The key is to identify common themes or ***competencies*** (e.g. building consensus, fostering commitment, focus on customer service, etc.) and describe the behaviors that demonstrate possession of the particular ***competencies*** in observable terms.

4. **Review preliminary concepts:** All data should be reviewed in order to ensure that the themes and ***competencies*** are relevant to the identified employee population and indicative of a high level of performance. Validation can occur through focus groups comprised of employees in the study population or subject matter experts familiar with the work performed. Additional validation can occur through the administration of a survey of incumbents and/or key managers designed to identify the behaviors in the ***Competency Model*** that are most often observed and critical to success.

5. **Develop behavioral** indicators**:** Based on the themes and ***competencies*** identified in the data collection and analysis steps, write specific action statements that describe the behaviors in terms that would be observable to a rater. Behavioral indicators may be written in progressive stages (entry to expert) to identify the different levels of employee competency.

6. **Complete final draft of Behavioral Competencies:** Document the full set of *Behavioral Competencies* in a presentation format for validation meetings with managers, supervisors and employees associated with the function

What are the steps for developing Technical Competencies?

The following is a suggested approach, however, agencies need to tailor the process to meet their needs.

1. **Identify the group of employees to be covered:** The agency will need to determine if the *Technical Competency Model* will apply to a *Career Group*, *Role,* or group of positions performing the same functions. The determination of the employee population to be covered should be based on similar work characteristics and shared common work behaviors.

2. **Establish job expert panel:** Identify four to five individuals that have backgrounds in the work area and are considered highly proficient in their line of work. Qualifications to consider are:
    *   Strong performers
    *   Individuals who have worked in a range of progressive career levels within a work function or occupational field
    *   "First line" supervisors who have "come up through the ranks"
    *   Include individuals who are knowledgeable about various specialized work areas

3. **Research background materials:** Identify resources that will be used in the development of the *Technical Competencies*. Resources may include:
    *   Employee Work Profiles
    *   Career Group Descriptions
    *   Work process descriptions/flow charts
    *   Project assignments and goal statements from the functional area
    *   Data generated by previous work analyses/skill assessments

4. **Identify key competencies:** Using a brainstorming process, identify the major knowledge and skill requirements necessary to meet the stated

work challenges and accomplish the required agency outcomes. These ***Technical Competencies*** typically appear initially as minimum hiring requirements, and develop in depth, breadth and complexity as an employee progresses to higher levels of work and expertise in the ***Role*** or ***Career Group***.

5. **Develop technical indicators:** For each ***Technical Competency***, develop the knowledge and skill indicators that are expressed in observable terms.

6. **Complete final draft of Technical Competencies:** Document the full set of ***Technical Competencies*** in a presentation format for validation meetings with managers, supervisors and employees associated with the function.

How are Competency Models validated?

After a ***Competency Model*** has been drafted, each behavior and technical component should be validated. There are multiple approaches to validation requiring input from employees, supervisors, managers or agency leaders. While key agency leaders may want to validate the behavioral components of the ***Competency Models***, it is critical to have functional supervisors and managers validate the technical components. Functional supervisors have a detailed knowledge of the work and its relationship to business needs.

Generally, the following questions are important in the validation of a ***Competency Model***:

- Does each competency describe the behaviors, knowledge and skills needed to perform the work?
- Are there any indicators written as task or activity statements that do not identify technical and/or behavioral requirements?
- If indicators are staged, do the higher level indicators represent clear advancement in behaviors, knowledge and skills?
- Are there any behavior, knowledge or skill requirements that have not been adequately captured in the Competency Model? Are there any redundancies?
- Are all indicators free from wording that reflects age, gender, race or cultural bias?

- Does each competency use clear and concise statements, terms and wording common and understandable to employees working in this capacity?

How are Competency Models linked to pay?

In the Commonwealth's Compensation Management System, employee compensation is based on an evaluation of the following *pay factors* (see Chapter 8 – Pay Practices):.

- Agency business need;
- Duties and responsibilities;
- Performance;
- Work experience and education;
- Knowledge, skills, abilities and competencies;
- Training, certification and license;
- Internal salary alignment;
- Market availability;
- Salary reference data;
- Total compensation;
- Budget implications;
- Long term impact; and
- Current salary

Competency Models can be used to help evaluate performance or to determine internal salary alignment and starting pay. Various formats may be used to determine actual employee pay rates. Formats can range from comprehensive inventories of individual competency ratings (see Human Resource Generalist Competency Model on DHRM's website) to pay matrices that reference a general evaluation of competencies and expertise. Comprehensive inventories provide detailed information that can be used for development purposes and simpler pay matrices can save time in determining pay.

With a comprehensive inventory including staged competency rating, an assessment form (or automated format) may be used. The feedback provider checks off indicator levels for each competency. This data results in a competency rating summarized into a total rating score, which is then mapped to a pay band (see Human Resource Generalist Competency Assessment material on DHRM's website).

A pay matrix is a point system in which points are accumulated based on educational level, work experience, and other value added compensable factors such as licensure, certification and specialized coursework that lead to a competency level. These pay matrices serve as a guide for determining pay for new hires and pay adjustments for current employees. Total pay matrix points are converted to a range of pay on the pay band. The total matrix points help identify internal alignment considerations and are used with the other **pay factors** to arrive at appropriate pay.

How are Competency Models linked to performance planning and evaluation?

Competency Models provide the supervisor and employee with a clear understanding of performance expectations, and address training and development activities necessary for successful performance. Models that include specific performance criteria ensure that supervisors and employees share the same understanding of performance expectations.

Most **Competency Models** require an employee self-assessment of their performance that provides input to the supervisor in their appraisal of the employee. Additionally, some may elicit performance feedback from other internal and external peers, direct reports and customers.

How are Competency-based System evaluated?

The final step in the development of a **Competency Model** is the design and implementation of an on-going evaluation plan to measure the effectiveness of the model's content and usage. **Competency Models** must be reviewed and modified periodically to reflect changes in desired behaviors and technical knowledge and skills that result from an evolving work environment. The evaluation plan, at the minimum, should include the individual(s) responsible for evaluating the **Competency Model**, evaluation timelines and may follow the same process used to develop the original **Competency Model**.